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Hawaii's Strong Job Growth Benefits Honolulu Office Market
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The strength of Hawaii's economy is impacting the health of the Honolulu office market, which has seen improved occupancy and positive absorption.

"The primary reason for the change is that Hawaii's economy has actually picked up, and it's impacting the office leasing market," said Mike Hamasu, director of consulting research at Colliers Monroe Friedlander Inc.

Hawaii's main economic drivers—hospitality, the military and construction—are running at full speed, according to Jamie Brown, president of Hawaii Commercial Real Estate L.L.C. "Our economy is just cooking, and all the economic indicators are up," he said. The gross state product has increased an average of 3.5 percent per year for the past three years, compared to an average of 1 percent nationally.

Additionally, Hawaii's unemployment rate of 4 percent is the lowest in the nation, and the state is expected to experience job growth of 2 percent this year and 1.7 percent in 2005, according to the State Economic Forecast. "Our office users trickle down from major industries," Brown said. "A new tourism job or construction job doesn't fill a space in an office building, but seats are filled at accounting and architecture firms that support the industries."

Honolulu's office market posted its fourth consecutive quarter of positive absorption at mid-year 2004, according to Colliers. During the first six months of the year, Honolulu recorded 90,677 square feet of office absorption.

Vacancy rates dropped from a decade high of 13.7 percent at mid-year 2003 to 10.9 percent at mid-year 2004. According to Colliers, this decrease is the largest since 1988. "Once it falls below 10 percent, we enter an equilibrium period that we've not had here in the past decade," Hamasu said.